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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

**JUN 12 1998**  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

|                                 |   |                      |
|---------------------------------|---|----------------------|
| In the Matter of                | ) |                      |
|                                 | ) |                      |
| Federal-State Joint Board on    | ) | CC Docket No. 96-45  |
| Universal Service               | ) |                      |
|                                 | ) |                      |
| Forward-Looking Mechanism for   | ) | CC Docket No. 97-160 |
| High Support for Non-Rural LECs | ) |                      |
|                                 | ) |                      |

**REPLY COMMENTS OF AMERITECH**

Ameritech<sup>1</sup> submits this reply to further comments on various proposals for high cost universal support.<sup>2</sup>

**I. INPUT ISSUES.**

Many parties have augmented the record in this proceeding on certain issues relating to the creation of a federal forward-looking cost mechanism, including the appropriate input values for that mechanism and the level of the revenue benchmark. The multiple rounds of comments and reply comments, including the most recent addition, provide this Commission an extensive record to consider in determining both the appropriate mechanism and its input values for non-rural eligible telecommunications carriers. Given the extensive information accumulated in this proceeding, it is important to consider the basic task to be accomplished by the selected mechanism and its input values. Specifically, the federal mechanism should calculate the

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<sup>1</sup> Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

<sup>2</sup> See, Public Notice, DA 98-848 (released April 15, 1998).

economic costs of supported services that reflect the efficient long-run costs of constructing and operating a network that provides such services for customers in well-defined geographic areas.

The federal mechanism should be able to measure material differences that exist across different areas of the nation. For example, a great deal of the development of the BCPM and HAI models have been devoted to identifying the specific facilities and their construction that would be efficient to provide the supported services in different geographic areas. These models have developed detailed processes to reflect the placement of loop facilities that originate at a specific ILEC's existing switch location and terminate to customers that are served from that same switch location. As a consequence, much of the attention of this proceeding has focused on differences that reflect the lay of the land, i.e., customer location and terrain characteristics.

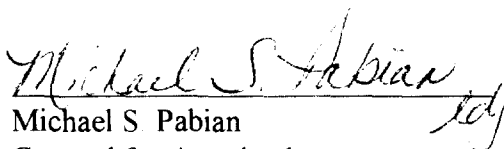
Other economic differences that exist across the nation should be captured by the inputs used in the selected mechanism. The inputs used in the selected model should capture the efficient options available at the locations where network facilities are constructed and maintained. Consequently, local market conditions that yield material differences in the economic costs for supported services must be recognized in the specific values used in the selected model. Therefore, either state-specific, company-specific or region-specific data should be used when it reflects the market conditions where universe services are provided. For example, the HAI default depreciation values are not the depreciation lives for any specific area, rather they are the average of 76 study areas.<sup>3</sup> Consequently, these default values are inappropriate to use because the geographic-specific information should be available for the 76 areas behind the HAI default values. In addition, the specific depreciation method, such as straight-line depreciation, used for a specific area should be consistent with any studies that underlie the development of economic

lives or net salvage values for that same area. Consistency may require the use of methods other than straight-line depreciation <sup>4</sup>

**II. REVENUES TO BE INCLUDED AND LEVEL OF THE BENCHMARK.**

Ad Hoc argues that the imputation of the access costs associated with LEC-provided intraLATA toll service should be factored into the benchmark.<sup>5</sup> This would needlessly complicate a revenue benchmark whose implementation should be kept simple. The Commission should, therefore, refuse to implement Ad Hoc's request.

Respectfully submitted,



Michael S. Pabian  
Counsel for Ameritech  
Room 4H82  
2000 West Ameritech Center Drive  
Hoffman Estates, IL 60196-1025  
(847) 248-6044

Regulatory Specialists  
Milan V. Holy  
Kent A. Currie

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<sup>3</sup> See, AT&T/MCI Joint Comments, p. 10.

<sup>4</sup> This is in contrast to the recommendation made by AT&T and MCI. See AT&T/MCI Joint Comments, p. 14.

<sup>5</sup> See Ad Hoc Comments, p. 7-8.

ANNE U MAC CLINTOCK  
VICE PRESIDENT  
REGULATORY AFFAIRS & PUBLIC POLICY  
THE SOUTHERN NEW ENGLAND  
TELEPHONE COMPANY  
227 CHURCH STREET  
NEW HAVEN CT 06510

PAUL H KUZIA VICE PRESIDENT  
ENGINEERING AND REGULATORY  
ARCH COMMUNICATIONS GROUP INC  
1800 WEST PARK DRIVE SUITE 350  
WESTBOROUGH MA 01581

KATHY L SHOBERT  
DIRECTOR FEDERAL AFFAIRS  
GENERAL COMMUNICATIONS INC  
901 15TH STREET NW SUITE 900  
WASHINGTON DC 20005

RANDY ZACH  
TCA INC  
3617 BETTY DRIVE SUITE I  
COLORADO SPRINGS CO 80917

CHARLES C HUNTER  
CATHERINE M HANNAN  
ATTORNEYS FOR  
TELECOMMUNICATIONS RESELLERS  
ASSOCIATION  
1620 I STREET NW SUITE 701  
WASHINGTON DC 20006

ROBERT HOGGARTH  
PERSONAL COMMUNICATIONS  
INDUSTRY ASSOCIATION  
500 MONTGOMERY STREET SUITE 700  
ALEXANDRIA VA 22314-1561

JOSEPH A GODLES  
~~ATTORNEY~~ FOR  
PANAMSAT CORPORATION  
1229 19TH STREET NW  
WASHINGTON DC 20554

PHILIP V OTERO  
VICE PRESIDENT AND GENERAL  
COUNSEL  
GE AMERICAN COMMUNICATIONS INC  
FOUR RESEARCH WAY  
PRINCETON NJ 08540

RICHARD MCKENNA HQE03J36  
ATTORNEY FOR  
GTE SERVICE CORPORATION  
P O BOX 152092  
IRVING TX 75015-2092

GAIL L POLIVY  
ATTORNEY FOR  
GTE SERVICE CORPORATION  
1850 M STREET NW SUITE 1200  
WASHINGTON DC 20036

LON C LEVIN  
VICE PRESIDENT AND REGULATORY  
COUNSEL  
AMSC SUBSIDIARY CORPORATION  
10802 PARK RIDGE BOULEVARD  
RESTON VA 22091

ROBERT A MANSBACH  
ATTORNEY FOR  
COMCAST CORPORATION  
6560 ROCK SPRING DRIVE  
BETHESDA MD 20817

RAYMOND G BENDER JR  
J G HARRINGTON  
ATTORNEYS FOR  
VANGUARD CELLULAR SYSTEMS INC  
SUITE 800  
1200 NEW HAMPSHIRE AVENUE NW  
WASHINGTON DC 20037

CHRIS FRENTROP  
SENIOR REGULATORY ANALYST  
MCI TELECOMMUNICATIONS CORP  
1801 PENNSYLVANIA AVENUE NW  
WASHINGTON DC 20036

DAVID R POE  
YVONNE M COVIELLO  
ATTORNEYS FOR  
TIME WARNER COMMUNICATIONS HOLDING  
INC  
1875 CONNECTICUT AVE NW SUITE 1200  
WASHINGTON DC 20009

MARY MC DERMOTT  
LINDA KENT  
CHARLES D COSSON  
ATTORNEYS FOR  
THE UNITED STATES TELEPHONE ASSOC  
1401 H STREET NW SUITE 600  
WASHINGTON DC 20005

KATHLEEN Q ABERNATHY  
DAVID A GROSS  
ATTORNEYS FOR  
AIRTOUCH COMMUNICATIONS INC  
1818 N STREET NW  
WASHINGTON DC 20036

JAMES R FORCIER  
AIRTOUCH COMMUNICATIONS INC  
ONE CALIFORNIA STREET 9TH FLOOR  
SAN FRANCISCO CA 94111

RACHEL B FERBER  
VICE PRESIDENT ASSISTANT GENERAL  
COUNSEL  
360 COMMUNICATIONS COMPANY  
8725 HIGGINS ROAD  
CHICAGO IL 60631

ROBERT MC KENNA  
KATHRYN MARIE KRAUSE  
ATTORNEY FOR  
US WEST INC  
SUITE 700  
1020 19TH STREET NW  
WASHINGTON DC 20036

JAY C KEITHLEY  
LEON M KESTENBAUM  
H RICHARD JUHNKE  
ATTORNEYS FOR  
SPRINT CORPORATION  
1850 M STREET NW SUITE 1100  
WASHINGTON DC 20036

CRAIG T SMITH  
ATTORNEY FOR  
SPRINT CORPORATION  
P O BOX 11315  
KANSAS CITY MO 64112

THE HONORABLE JULIA JOHNSON  
COMMISSIONER  
FLORIDA PUBLIC SERVICE COMMISSION  
CAPITAL CIRCLE OFFICE CENTER  
2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE FL 32399-0850

STEVE ELLENBECKER CHAIRMAN  
DOUG DOUGHTY DEPUTY CHAIRMAN  
KRISTIN H LEE COMMISSIONER  
WYOMING PUBLIC SERVICE COMMISSION  
700 WEST 21ST STREET  
CHEYENNE WYOMING 82002

PAT WOOD III  
ROBERT W GEE  
JUDY WALSH  
PUBLIC UTILITY COMMISSION OF TEXAS  
1701N CONGRESS AVE  
AUSTIN TX 78711-3326

DAVID A BECKER ESQ  
ASSISTANT ATTORNEY GENERAL  
COLORADO PUBLIC UTILITIES  
COMMISSION  
1580 LOGAN STREET OFFICE LEVEL 2  
DENVER CO 80203

RICHARD M SBARATTA REBECCA LOUGH  
M ROBERT SUTHERLAND  
ATTYS FOR BELL SOUTH CORPORATION  
BELLSOUTH TELECOMMUNICATIONS  
INC  
1155 PEACHTREE STREET NE STE 1700  
ALTANTA GA 30309-3610

LAWRENCE W KATZ  
ATTORNEY FOR  
THE BELL ATLANTIC TELEPHONE CO  
EIGHTH FLOOR  
1320 NORTH COURT HOUSE ROAD  
ARLINGTON VA 22201

DAVID KAUFMAN ESQ  
NEW MEXICO STATE CORPORATION  
COMMISSION  
P O BOX 1269  
SANTA FE NM 87504-1269

MARK C ROSENBLUM  
PETER H JACOBY  
JUDY SELL  
ATTORNEYS FOR AT&T  
ROOM 3244J1  
295 NORTH MAPLE AVENUE  
BASKING RIDGE NJ 07920

MICHAEL F ALTSCHUL VICE PRESIDENT  
GENERAL COUNSEL  
RANDALL S COLEMAN VP REGULATORY  
CELLULAR TELECOMMUNICATIONS  
INDUSTRY ASSOCIATION  
1250 CONNECTICUT AVE NW SUITE 200  
WASHINGTON DC 20036

DAVID A IRWIN  
ATTORNEY FOR  
ITCS INC  
1730 RHODE ISLAND AVENUE NW  
WASHINGTON DC 20036

LEONARD J KENNEDY  
RICHARD S DENNING  
COUNSEL FOR  
NEXTEL COMMUNICATIONS INC  
SUITE 800  
1200 NEW HAMPSHIRE AVE NW  
WASHINGTON DC 20036-6802

JAMES VOLZ ESQ  
PETER M BLUHM ESQ  
VERMONT DEPARTMENT OF PUBLIC  
SERVICE  
DRAWER 20  
MONTPELIER VT 05620-2601

JAMES ROWE  
ALASKA TELEPHONE ASSOCIATION  
4341 B STREET SUITE 304  
ANCHORAGE AK 99503

JAMES S BLASZAK  
KEVIN S DI LALLO  
ATTORNEYS FOR  
AD HOC TELECOMMUNICATIONS USERS  
COMMITTEE  
1300 CONNECTICUT AVE NW SUITE 500  
WASHINGTON DC 20036-1703

PETER A ROHRBACH  
DAVID L SIERADZKI  
ATTORNEYS FOR  
GE AMERICAN COMMUNICATIONS INC  
555 THIRTEENTH STREET NW  
WASHINGTON DC 20004

JOE D EDGE  
RICHARD J ARSENAULT  
ATTORNEYS FOR  
PUERTO RICO TELEPHONE COMPANY  
901 FIFTEENTH STREET NW  
WASHINGTON DC 20005

RICHARD A ASKOFF  
ATTORNEY FOR  
NATIONAL EXCHANGE CARRIER ASSOC  
100 SOUTH JEFFERSON ROAD  
WHIPPANY NJ 07981

DR BARBARA O'CONNOR  
CHAIRWOMAN  
MARY GARDINER JONES PRESIDENT  
ALLIANCE FOR PUBLIC TECHNOLOGY  
901 15TH STREET NW SUITE 230  
WASHINGTON DC 20005

SAMUEL LOUDENSLAGER  
ARKANSAS PUBLIC SERVICE COMMISSION  
P O BOX 400  
LITTLE ROCK AR 72203-0400

HEIKKI LEESMENT ESQ  
DEPUTY RATEPAYER ADVOCATE  
STATE OF NJ DIVISION OF THE  
RATEPAYER ADVOCATE  
31 CLINTO ST 11TH FLOOR  
P O BOX 46005  
NEWARK NJ 07101

PAUL B JONES  
JANIS A STAHLHUT  
DONALD SHEPHEARD  
TIME WARNER COMMUNICATIONS  
HOLDING INC  
300 FIRST STAMFORD PLACE  
STAMFORD CT 06902-6732

ANGELA J CAMPBELL ILENE R PENN  
JOHN PODESTA  
INSTITUTE FOR PUBLIC  
REPRESENTATION  
GEORGETOWN UNIVERSITY LAW CTR  
600 NEW JERSEY AVE NW  
WASHINGTON DC 20001

LINDA KENT  
ASSOCIATE GENERAL COUNSEL  
UNITED STATES TELEPHONE ASSOC  
1401 H STREET NW SUITE 600  
WASHINGTON DC 20005-2164

KATHERINE GRINCEWHICH  
OFFICE OF THE GENERAL COUNSEL  
UNITED STATES CATHOLIC CONFERENCE  
3211 4TH STREET NE  
WASHINGTON DC 20017-1194

KEVIN TAGLANG  
RENTON FOUNDATION  
1524 EYE STREET NW  
WASHINGTON DC 20006

SAM COTTEN  
ALASKA PUBLIC UTILITIES COMMISSION  
1016 WEST SIXTH AVENUE SUITE 400  
ANCHORAGE AK 99501

KENNETH BURCHETT  
VICE PRESIDENT  
GVNW INC/MANAGEMENT  
P O BOX 230399  
PORTLAND OR

DAVID L SHARP  
CEO  
PRESIDENT  
VIRGIN ISLANDS TELEPHONE CORP  
P O BOX 6100  
ST THOMAS US VIRGIN ISLANDS 00801



ROBERT M HALPERIN  
ATTORNEY FOR  
THE STATE OF ALASKA  
1001 PENNSYLVANIA AVENUE NW  
WASHINGTON DC 20004

MARGOT SMILEY HUMPHREY  
ATTORNEY FOR  
THE RURAL TELEPHONE COALITION  
1150 CONNECTICUT AVE NW SUITE 1000  
WASHINGTON DC 20036

LISA M ZAINA  
STUART POLIKOFF  
OPASTCO  
21 DUPONT CIRCLE NW SUITE 700  
WASHINGTON DC 20036

DAVID COSSON  
L MARIE GUILLORY  
NCTA  
2626 PENNSYLVANIA AVE NW  
WASHINGTON DC 20037

HERBERT E. MARKS  
JAMES M FINK  
ATTORNEYS FOR  
THE STATE OF HAWAII  
1201 PENNSYLVANIA AVENUE NW  
WASHINGTON DC 20044

SUE D BLUMENFELD MICHAEL G JONES  
JENNIFER DESMOND MC CARTHY  
ATTYS FOR LORAL SPACE &  
COMMUNICATIONS  
THREE LAFAYETTE CENTRE  
1155 21ST STREET NW  
WASHINGTON DC 20036

CHRISTOPHER W SAVAGE  
ATTORNEY FOR  
CENTENNIAL CELLULAR CORP  
1919 PENNSYLVANIA AVE NW SUITE 200  
WASHINGTON DC 20006

HENRY D LEVINE  
LAURA F H MC DONALD  
ATTORNEYS FOR  
NYCHA MASTERCARD AND VISA  
1300 CONNECTICUT AVENUE NW  
WASHINGTON DC 20036

JAMES S BLASZAK  
JANINE F GOODMAN  
ATTORNEYS FOR  
IBM  
1300 CONNECTICUT AVE NW SUITE 500  
WASHINGTON DC 20033-1703

ALAN R SHARK  
PRESIDENT  
AMERICAN MOBILE  
TELECOMMUNICATIONS ASSOCIATION  
1150 18TH STREET NW SUITE 250  
WASHINGTON DC 20036

STEVE HAMLEN  
PRESIDENT  
UNITED UTILITIES INC  
5450 A STREET  
ANCHORAGE AK 99518-1291

RAUL R RODRIGUEZ  
DAVID S KEIR  
ATTORNEYS FOR  
COLUMBIA COMMUNICATIONS CORP  
2000 K STREET NW SUITE 600  
WASHINGTON DC 20554

ELISABETH H ROSS  
ATTORNEY FOR  
THE VERMONT PUBLIC SERVICE BOARD  
AND THE VERMONT DEPT OF PS  
1155 CONNECTICUT AVE NW SUITE 1200  
WASHINGTON DC 20036-4308

BENJAMIN H DICKENS JR  
GERARD J DUFFY  
COUNSEL FOR THE WESTERN ALLIANCE  
2120 L STREET NW  
WASHINGTON DC 20037

MARIANNE DEAGLE  
ASSISTANT GENERAL COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD ROAD  
TOPEKA KS 66604-4027

DAVID HIGGINBOTHAM  
PRESIDENT  
TELETOUCH LICENSES INC  
P O BOX 7370  
TYLER TX 75711

KENNETH D SALOMON  
J G HARRINGTON  
ATTORNEYS FOR  
IOWA TELECOMMUNICATIONS AND  
TECHNOLOGY COMMISSION  
1200 NEW HAMPSHIRE AVE NW STE 800  
WASHINGTON DC 20036

DAVID W DANNER  
SENIOR POLICY ADVISOR  
WASHINGTON STATE DEPARTMENT OF  
INFORMATION SERVICES  
P O BOX 42445  
OLYMPIA WA 98504-2445

FREDERICK M JOYCE  
RONALD E QUIRK JR  
ATTORNEYS FOR  
OZARK TELECOM INC  
1019 19TH STREET PH-2  
WASHINGTON DC 20036

SANDRA ANN Y H WONG  
ATTORNEY FOR  
SANDWICH ISLES COMMUNICATIONS INC  
PAUAAHI TOWER SUITE 2750  
1001 BISHOP STREET  
HONOLULU HAWAII 96813

MICHAEL H OLENICK  
GENERAL COUNSEL  
FLORIDA DEPARTMENT OF EDUCATION  
THE CAPITOL SUITE 1701  
325 W GAINES STREET  
TALLAHASSEE FL 32399-0400

SUSAN LEHMAN KEITEL  
EXECUTIVE DIRECTOR  
NEW YORK LIBRARY ASSOC  
252 HUDSON AVE  
ALBANY NY 12210-1802

JIM GAY  
PRESIDENT  
NATIONAL ASSOCIATION OF STATE  
TELECOMMUNICATIONS DIRECTORS  
IRON WORKS PIKE  
P O BOX 11910  
LEXINGTON KY 40578-1910

PAUL J BERMAN  
ALANE C WEIXEL  
ATTORNEYS FOR  
FIDELITY TELEPHONE COMPANY  
P O BOX 7566  
1201 PENNSYLVANIA AVE  
WASHINGTON DC 20044-7566

ALBERT H KRAMER  
ROBERT F ALDRICH  
ATTORNEYS FOR  
AMERICAN PUBLIC COMMUNICATIONS  
COUNCIL  
2101 L STREET NW  
WASHINGTON DC 20037-1526

JEROME K BLASK  
DANIEL E SMITH  
ATTORNEYS FOR  
PRONET  
1400 16TH STREET NW SUITE 500  
WASHINGTON DC 20036

KATH L SHOBERT  
DIRECTOR  
FEDERAL AFFAIRS  
GENERAL COMMUNICATIONS  
SUITE 900  
901 15TH STREET NW  
WASHINGTON DC 20005

CAROLYN C HILL  
ATTORNEY FOR  
ALLTEL TELEPHONE SERVICES CORP  
655 15TH STREET NW SUITE 220  
WASHINGTON DC 20005

MICHAEL S WROBLEWSKI  
ATTORNEY FOR  
TELHAWAII INC  
SUITE 1300  
1001 PENNSYLVANIA AVENUE NW  
WASHINGTON DC 20004

CHERYL A TRITT  
CHARLES H KENNEDY  
ATTORNEYS FOR SPRINT SPECTRUM  
2000 PENNSYLVANIA AVE NW STE 5500  
WASHINGTON DC 20006-1888

CERTIFICATE OF SERVICE

I, Todd H. Bond, do hereby certify that a copy of the foregoing Further Comments of Ameritech has been served on the parties listed on the attached service list, via first class mail, postage prepaid, on this 12<sup>th</sup> day of June, 1998.

By: Todd H. Bond  
Todd H. Bond *tdj*